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NEWS RELEASE

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Reflecting Back on the Notorious Charles Ponzi

(Anchorage) - Annually NASAA, the North American Securities Administrators Association, compiles a list of the top ten scams, schemes and scandals. This list is developed from a survey of state securities enforcement officers and regulators. **Number one on the 2004 list is the Ponzi Scheme.**

Here in Alaska we have seen more than our share of Ponzi Schemes that resulted in lost of millions of dollars. The most notorious being RaeJean Bonham of Fairbanks, an operator of a \$50 million scheme. Another Ponzi case with an Alaska connection was Mutual Benefits Corporation, where in Florida, a federal judge ordered the Fort Lauderdale-based Corporation to return \$105 million to investors.

The Ponzi name came from swindler Charles Ponzi who was **born on March 3, 1882**. Ponzi took investors for millions by promising high percent returns.

Ponzi Schemes are a perennial favorite among con artists. The premise is simple, promise high returns to investors and use money from new investors to pay previous investors. Inevitably, the schemes collapse and the only people who consistently make money are the promoters who set the Ponzi in motion.

According to the Denver Post Business Columnist, Al Lewis, recent article about Charles Ponzi, Ponzi's father was an Italian army general who sent him to a French boarding school. There, he cultivated aristocratic airs. Ponzi was only 5-feet-2 but wore expensive suits and swung a gold-headed cane as he strode the streets of Boston in 1920.

Ponzi claimed to have found a way to profit from trading international coupons for postage stamps. He promised to pay investors 50 percent interest within 45 days. After he paid his first round of investors, tens of thousands of others wanted in. The money poured in so fast, Ponzi's employees collected it in wastepaper baskets. The scheme took in an estimated \$15 million - about \$150 million in today's dollars.

Ponzi was so convincing that even police who examined his company decided to invest. A Boston newspaper pointed out that Ponzi's claims didn't add up - you can't make millions trading stamps for pennies. But for a time, Ponzi always paid. So Bostonians cheered him and booed the newspaper.

Later, Boston newspapers reported that Ponzi had run a similar scam in Montreal and had been sentenced to 20 months in prison for forgery. Ponzi insisted the story was false. But by then, his scheme was collapsing.

Ponzi went to prison again. Upon release, he ran a swampland scam in Florida. He was deported to Italy. Benito Mussolini gave Ponzi a treasury job, believing Ponzi to be an international banker. Later, Ponzi worked for an Italian airline that flew to Brazil. There, he demanded bribes from people smuggling money. He died in 1949, as a charity patient in a Rio de Janeiro hospital.

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What can you do? When you see an offer that's "too good to be true," steer clear. Many times people have become angry with government when they are warned off a "choice" investment opportunity. But be warned that in 95% of the cases, investors eventually lose their entire investment. Don't be taken in by Ponzi.

For further information regarding securities fraud, go the Alaska Division of Banking, Securities and Corporation website at <http://www.dced.state.ak.us/bsc/secur.htm>.

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